

CIRCULAR LETTER

Subject: Mandatory Use of the Rupiah within the Territory of the
Republic of Indonesia

In regard to the entry into force of the Bank Indonesia Regulation Number 17/3/PBI/2015 concerning Mandatory Use of the Rupiah within the Territory of the Republic of Indonesia (State Gazette of the Republic of Indonesia Number 70 of 2015, Supplement to the State Gazette of the Republic of Indonesia Number 5683), it is necessary to stipulate implementation regulations for mandatory use of the Rupiah within the territory of the Republic of Indonesia in a Bank Indonesia Circular Letter as follows:

I. GENERAL PROVISIONS

- A. The mandatory use of the Rupiah within the territory of the Republic of Indonesia is based on the principle of territoriality. All transactions within the territory of the Republic of Indonesia, whether conducted by residents or non-residents, in cash or non-cash, provided that they are conducted within the territory of the Republic of Indonesia, must use Rupiah.
- B. Transactions and payments constitute an integral part. When a transaction is conducted within the territory of the Republic of Indonesia, its payment must be received in Rupiah.

For example:

Company A, a foreign shipping line, uses port services in Indonesia provided by PT B. Company A may pay in cash through an agent using the Rupiah, or by transfer using the currency of its home country. If the payment is made by transfer, PT B must receive the payment from Company A in Rupiah.

C. The ...

C. The mandatory use of Rupiah in all transactions as referred to in point A does not apply to the following transactions:

1. particular transactions for implementing the state budget as follows:

- a. servicing of foreign debt;
- b. servicing of domestic debt denominated in foreign currency;
- c. goods purchases from overseas;
- d. capital purchases from overseas;
- e. state budget receipts originating from the sale of government securities denominated in foreign currency; and
- f. other transactions for implementing the state budget, such as tax payments, visa on arrival and non-tax revenues;

2. receiving or providing grants from or to abroad in which one of the parties is domiciled abroad;

3. international trade transactions as follows:

- a. exports and/or imports of goods into or out of the customs area of the Republic of Indonesia; and/or
- b. crossborder trade in services conducted by the following means:

- 1) crossborder supply, for example purchases conducted on-line (over the internet) or through call centres. The definition of crossborder supply includes experts possessing certain expertise assigned by their head office overseas to work in Indonesia; and
- 2) consumption abroad, for example, Indonesian citizens who study abroad or who undergo hospital treatment abroad;

4. deposits ...

4. deposits held at Banks in foreign currency, such as foreign currency savings deposits or foreign currency time deposits; or
 5. international financing transactions in which one of the parties is domiciled abroad, such as lending by bank outside Indonesia to a customer in Indonesia.
- D. The mandatory use of Rupiah in all transactions as referred to in point A does not apply to funds transfers in foreign currencies from individuals in Indonesia to overseas parties that are not intended for payment or settlement of obligations incurred by transactions within the territory of the Republic of Indonesia.
- E. Similarly, the mandatory use of Rupiah in all transactions as referred to in point A does not apply to transactions conducted in foreign currency based on legislative provisions, consisting of:
1. Business activities in foreign currency conducted by Banks, pursuant to the laws governing banking activities and sharia banking activities, including but not limited to:
 - a. credit in foreign currency for export business and other activities;
 - b. interbank money market in foreign currency;
 - c. bonds in foreign currency;
 - d. subordinated debt in foreign currency;
 - e. sale and purchase of securities in foreign currency; and
 - f. other banking transactions in foreign currency prescribed in the laws governing banking activities and sharia-banking activities including their implementing regulations.

The definition of business in foreign currency also includes fees charged by Banks for conducting such activities.

2. Transactions on the primary market and secondary market for foreign currency securities issued by the Government

pursuant ...

pursuant to the laws governing government securities and sharia-compliant government securities.

For example:

Transactions in global Islamic bond (*sukuk*) issued by the Government in foreign currency.

3. Other transactions in foreign currency that are conducted on the basis of laws.

For example:

Domestic financing transactions in foreign currency extended by the Indonesia Exim Bank (LPEI) pursuant to the law governing the Indonesia Exim Bank.

- F. Each party is prohibited from declining Rupiah presented for the purpose of payment or for settlement of obligations that must be fulfilled with Rupiah and/or for other financial transactions within the territory of the Republic of Indonesia.

For example:

Provider of goods and/or services is prohibited from declining Rupiah from buyer of the goods and/or user of the services.

- G. The provision as referred to in point F are excluded in the following instances:

1. the authenticity of Rupiah received for a cash transaction is in doubt; or
2. the payment or settlement of obligations in foreign currency has been contractually agreed in advance in writing.

- H. A written agreement as referred to in point G.2 may be made only for the purpose of:

1. transactions exempted from the mandatory use of Rupiah as referred to in point C and E; or
2. strategic infrastructure projects approved by Bank Indonesia to be exempted from the mandatory use of Rupiah.

- I. In order to support the implementation of the mandatory use of Rupiah, business undertakings, whether individuals or corporations, shall provide price quotation for goods and/or services only in Rupiah.
- J. Bank Indonesia is authorised to request reports, information and/or data from any party concerned with implementing the mandatory use of Rupiah and mandatory quotation for goods and/or services in Rupiah.
- K. Bank Indonesia will oversee the compliance of all parties in implementing the mandatory use of Rupiah and mandatory quotation for goods and/or services in Rupiah.
- L. In the event that business undertakings with particular characteristics experience problems in relation to implementing the mandatory use of Rupiah for non-cash transactions, Bank Indonesia may decide to establish a specific policy without neglecting the mandatory use of Rupiah.

II. MANDATORY PRICE QUOTATION FOR GOODS AND/OR SERVICES IN RUPIAH

- A. Each business undertaking within the territory of the Republic of Indonesia shall provide price quotation for goods and/or services only in Rupiah and is prohibited from providing price quotation for goods and/or services both in Rupiah and foreign currency (dual quotation).

Example of prohibited dual quotation:

Shop A provides price quotation for a computer at Rp 15,000,000.00 and simultaneously at USD1,500.00.

- B. The applicability of obligations and prohibitions as referred to in point A includes but is not limited to:
 - 1. price labels, such as price labels affixed to merchandise;
 - 2. fees, such as agent fees in property sales, tourism services and consultant services;

3. rental ...

3. rental charges, such as leases for apartments, houses, offices, buildings, land, warehouses and vehicles;
 4. tariffs, such as tariffs for loading and unloading containers at port or tariffs for air and cargo transportation;
 5. price lists, such as price lists on restaurant menus;
 6. contracts, such as pricing clauses or costs stated in a contract or agreement;
 7. quotation, ordering and invoicing documents, such as price clauses set forth in invoices, delivery orders, purchase orders; and/or
 8. proof of payment, such as prices listed on a receipt.
- C. The obligation and prohibition related to price quotation for goods and/or services in Rupiah as referred to in point A and B shall also apply to price quotation for goods and/or services in electronic media.

III. IMPLEMENTATION OF THE MANDATORY USE OF RUPIAH FOR STRATEGIC INFRASTRUCTURE PROJECTS WHICH ARE AGREED IN WRITING

- A. Infrastructure projects include projects as follows:
1. transportation infrastructure, consisting of airport services, provision and/or operation of port services, and rail infrastructure and facilities;
 2. road infrastructure, consisting of toll roads and toll bridges;
 3. irrigation infrastructure, consisting of channels conveying raw water;
 4. clean water infrastructure, consisting of raw water intake plants, pipelines, distribution networks and water treatment plants;

5. sanitation ...

5. sanitation infrastructure, consisting of sewage treatment plants, collector networks and main sewers, and municipal waste disposal with the use of conveyances and disposal site;
 6. telecommunications and informatics infrastructure, consisting of telecommunications networks and e-government infrastructure;
 7. electricity infrastructure, consisting of power plants, including development of geothermal electricity, transmission and distribution of electricity; and
 8. oil and natural gas infrastructure, consisting transmission and distribution of crude oil and natural gas.
- B. Infrastructure projects as referred to in point A may be exempted from the mandatory use of Rupiah if:
1. declared by the central government or a regional government to be a strategic infrastructure project, as evidenced by a written declaration from the competent ministry/agency to the project owner; and
 2. granted approval from Bank Indonesia to be exempted from the mandatory use of Rupiah.
- C. In granting approvals, Bank Indonesia considers matters including but not limited to the source of project financing and the impact of the project on macroeconomic stability.
- D. Bank Indonesia approval for exemption from the mandatory use of Rupiah in a strategic infrastructure project may be extended to:
1. transactions for construction of strategic infrastructure projects until the construction work on the project is completed; and/or
 2. transactions for sale of products or services produced from a strategic infrastructure project for certain period, under the condition that such sale of products or services has been

contractually ...

contractually agreed from the beginning of the construction development of such project.

- E. Applications for exemption from the mandatory use of Rupiah shall be submitted by the party requiring exemption from the mandatory use of Rupiah, enclosing reasons for use of foreign currency in payments or settlement of obligations.
- F. If the project is being implemented by a consortium, the application may be submitted by one of the consortium members on behalf of and in the name of the consortium or may be submitted jointly by the consortium members.
- G. The application procedure is stipulated as follows:
 - 1. The applicant shall submit an application in writing to Bank Indonesia.
 - 2. The application letter as referred to in point 1 must enclose the following documents:
 - a. documents attesting to the legality of the applicant, such as deed of incorporation and articles of association of a company, including any amendments thereto, statement of domicile and enterprise profile;
 - b. written declaration from the competent ministry or agency, stating that the project being undertaken is a strategic infrastructure project;
 - c. where an application is submitted by a contractor, the declaration concerning the strategic infrastructure project may comprise a photocopy of the written declaration as referred to in point b, accompanied by a recommendation stating that:
 - 1) the project being undertaken comprises part of a strategic infrastructure project; and/or
 - 2) the implementation of the project requires foreign currency for procurement of goods and/or services originating from outside the Republic of Indonesia;

d. photocopy ...

- d. photocopy of the written agreement stating that payment shall be made in foreign currency, authenticated by the applicant.
- H. For the purpose of following up an application as referred to in point G, Bank Indonesia may request additional information and/or documents and conduct examinations related to the application submitted by the applicant, such as examination at the project location.
- I. Bank Indonesia will issue written approval or rejection of the application no later than 30 (thirty) days after the receipt of complete application.
- J. Bank Indonesia will notify an applicant in writing if additional time beyond the 30 (thirty) day period is needed for processing the application.

IV. APPLICATION OF THE MANDATORY USE OF RUPIAH FOR NON-CASH TRANSACTIONS BY BUSINESS UNDERTAKINGS WITH PARTICULAR CHARACTERISTICS

- A. Where business undertakings with particular characteristics experience problems in relation to implementation of the mandatory use of Rupiah for non-cash transactions as referred to in point I.L, Bank Indonesia may decide to establish a specific policy without neglecting the mandatory use of Rupiah.
- B. In establishing a specific policy as referred to in point A, Bank Indonesia will, among others, take the following into consideration:
 - 1. readiness of business undertaking, including but not limited to cases where the mandatory use of Rupiah requires fundamental changes in the systems and/or business processes of certain lines of business and/or business undertakings;
 - 2. continuity of business activities, including but not limited to cases where the mandatory use of Rupiah that is introduced

immediately ...

immediately without sufficient transition period may affect business survival;

3. investment activities, including but not limited to cases where business requires financing in foreign currency for a certain period and immediate implementation of the mandatory use of Rupiah may disrupt such investment; and/or
 4. business with significant impact on national economic growth.
- C. In addition to taking into account factors as referred to in point B, Bank Indonesia will also consider the level of compliance of the business undertaking to Bank Indonesia regulations, including but not limited to mandatory receiving of export proceeds and application of prudential principles in management of non-bank corporate external debt.

V. REPORTS RELATED TO THE USE OF RUPIAH WITHIN THE TERRITORY OF THE REPUBLIC OF INDONESIA

- A. Bank Indonesia is authorised to request reports, information and/or data from any party concerned with the implementation of the mandatory use of Rupiah.
- B. Each party as referred to in point A shall submit reports, information and/or data to Bank Indonesia, attaching supporting documents, if so requested by Bank Indonesia.

VI. OVERSIGHT OF COMPLIANCE WITH THE USE OF RUPIAH WITHIN THE TERRITORY OF THE REPUBLIC OF INDONESIA.

- A. Bank Indonesia oversees the compliance of all parties in implementing the mandatory use of Rupiah and mandatory price quotation for goods and/or services only in Rupiah.
- B. The scope of oversight of implementation of the mandatory use of Rupiah as referred to in point A shall cover mainly compliance with the mandatory use of Rupiah in non-cash transactions. In

conducting...

conducting such oversight of non-cash transactions, Bank Indonesia may cooperate with relevant agencies.

- C. In overseeing compliance with the mandatory use of Rupiah for cash transactions, Bank Indonesia will cooperate with law enforcement agencies.
- D. The mechanism for oversight as referred to in point A is conducted with regard to the following provisions:
 - 1. The oversight method involves on-site examination and/or off-site supervision.
 - 2. On-site examination as referred to in point 1 will be conducted through examinations that may be carried out at any time by Bank Indonesia.
 - 3. Off-site supervision as referred to in point 1 will be conducted by performing analysis and evaluation of reports submitted by all parties as referred to in point V.A.
 - 4. In conducting on-site examination as referred to in point 2, the party subjected to such examination must provide the examiner with the following, including but not limited to:
 - a. financial statements, transaction data, and supporting data;
 - b. access to conduct observations of operational activities and facilities related with its business activities; and/or
 - c. information about transactions and activities related with the mandatory use of Rupiah provided by competent and authorised parties at the time the examination is conducted.

VII. CORRESPONDENCE

- A. Submission of applications as referred to in Chapter III, submission of reports as referred to in Chapter V and/or general correspondence shall be conveyed to Bank Indonesia in the Indonesian language at the following address:

Department ...

Department of Payment System Policy and Oversight
 Bank Indonesia Office Complex Building D 5th Floor
 Jl. M.H. Thamrin No. 2
 Jakarta 10350.

- B. In the event of change of address as referred to in point A, Bank Indonesia will notify by letter and/or other media.

VIII. OTHER PROVISIONS

- A. Banks and Funds Transfer Providers must notify each customer intending to conduct a transaction using foreign currency about the mandatory use of Rupiah within the territory of the Republic of Indonesia
- B. If a customer as referred to in point A maintains the intention to conduct transaction in foreign currency, Banks and Funds Transfer Providers must require such customer to state the purpose of transaction on the transaction form or slip.

IX. PROCEDURE FOR IMPOSITION OF SANCTIONS

- A. Any party infringing the mandatory use of Rupiah within the territory of the Republic of Indonesia shall be liable to sanctions.
- B. Infringement of the mandatory use of Rupiah for cash transactions and/or the prohibition on declining Rupiah for cash transactions shall be liable to sanctions under the criminal provisions as referred to in Article 33 of the Law Number 7 of 2011 concerning Currency.
- C. Imposition of sanctions for infringement of the mandatory use of Rupiah for non-cash transactions shall be carried out under the following provisions:
 - 1. Any party infringing the mandatory use of Rupiah for non-cash transactions shall be liable to administrative sanctions in the form of:
 - a. written warning;
 - b. financial...

- b. financial penalty; and/or
 - c. prohibition from participation in payment transaction.
2. Financial penalty as referred to in point 1.b shall be imposed under the following provisions:
- a. The financial penalty will be imposed by Bank Indonesia upon issuance of at least 2 (two) written warnings.
 - b. The financial penalty will be set at 1% (one percent) of transaction value, with a maximum penalty of Rp 1,000,000,000.00 (one billion rupiahs).
 - c. Transaction value as referred to in point b will be calculated on the total value of the transaction infringing the mandatory use of Rupiah. Administrative sanctions shall be imposed to infringement of non-cash transactions taken place since 1 July 2015.
 - d. A business undertaking that has been sanctioned with a financial penalty but persists in infringing the mandatory use of Rupiah shall be liable to a financial penalty without prior issuance of a written warning.
 - e. Financial penalties will be imposed in Rupiah and calculated using the applicable Bank Indonesia median exchange rate at 1 (one) working day prior to the date at which the transaction took place.
 - f. Financial penalty shall be imposed by means of:
 - 1) debiting of an account held at Bank Indonesia, if the party liable to the sanctions holds an account at Bank Indonesia; or
 - 2) payment to a designated Bank Indonesia account, if the party liable to the sanctions does not hold an account at Bank Indonesia.
3. Bank Indonesia may impose the sanction of prohibition from participation in payment transaction as referred to in point

1.c ...

1.c to any party infringing the mandatory use of Rupiah within the territory of the Republic of Indonesia.

- D. Any infringement of the mandatory price quotation for goods and/or services in Rupiah and of the obligations for submitting report, information and/or data shall be liable to administrative sanctions in the form of written warning.
- E. Any party that has been sanctioned for infringement of the mandatory price quotation for goods and/or services in Rupiah as referred to in point D shall rectify such infringement by carrying out the mandatory price quotation for goods and/or services in Rupiah.
- F. Any party that has been sanctioned for infringement of the obligations to submit reports, information and/or data as referred to in point D shall retain the obligation to submit the reports, information and/or data requested by Bank Indonesia.
- G. In addition of imposing administrative sanctions as referred to in point C and D, Bank Indonesia may issue a recommendation to competent authorities to pursue actions, including but not limited to revocation of operating licence or suspension of business activities.
- H. In the event that a business undertaking submitted an application as referred to in Chapter III and Chapter IV, but such application was not approved by Bank Indonesia, Bank Indonesia imposes administrative sanctions for any infringement committed by such business undertaking since 1 July 2015.
- I. The imposition of administrative sanctions to business undertaking as referred to in point H shall be conducted with reference to the provisions as referred to in point C and/or point D.

X. TRANSITIONAL ...

X. TRANSITIONAL PROVISIONS

The following provisions apply to written agreements made before 1 July 2015 for payment or settlement of obligations in foreign currency:

1. Written agreement encompasses main agreement, ancillary agreement or other document specifying the transaction to be conducted by the parties, such as purchasing order and delivery order.
2. Any written agreement that is a derivative or implementation agreement to a master agreement made after 1 July 2015 and is treated as an independent agreement shall be subjected to the mandatory use of Rupiah within the territory of the Republic of Indonesia.
3. Any extension of term and/or amendment to a written agreement, which is executed after 1 July 2015, shall be subject to the mandatory use of Rupiah within the territory of the Republic of Indonesia.
4. Amendment as referred to in point 3 includes but is not limited to amendment of the parties in the agreement, prices of goods and/or services, and/or object of the agreement.

XI. CONCLUDING PROVISIONS

This Bank Indonesia Circular shall enter into force on 1 June 2015.

For the public to be informed, it is ordered that this Bank Indonesia Circular be promulgated in the State Gazette of the Republic of Indonesia.

BANK INDONESIA,

ENI V. PANGGABEAN

HEAD OF THE DEPARTMENT OF PAYMENT
SYSTEM POLICY AND OVERSIGHT